

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION  
Energy BranchRESOLUTION G-2700  
October 16, 1986

## RESOLUTION

SOUTHERN CALIFORNIA EDISON COMPANY (EDISON). ORDER  
AUTHORIZING AN INCREASE IN RATES FOR ITS LIQUID PETROLEUM  
GAS (LPG) SYSTEM ON SANTA CATALINA ISLAND.

By Advice Letter No. 72-G, filed July 21, 1986, Edison has requested authority to establish revised tariffs to reflect increases in the Santa Catalina Island Gas Cost Adjustment Billing Factors (GCABF). The increases are calculated in accordance with the procedure set forth in Edison's tariffs as Part F, Santa Catalina Island Gas Cost Adjustment Clause (GCAC), of the Preliminary Statement authorized pursuant to Decision No. 82-04-010 (Application No. 60781), dated April 6, 1982. The facts are as follows:

1. In Decision No. 84-04-010, the Commission authorized Edison to file six-month GCAC adjustment filings by Advice Letter, with March 1 and September 1 as the scheduled Revision Dates. The revised billing factors requested for a September 1, 1986, Revision Date are as follows:

GCABF Cents Per Therm

	EDISON (Six-Month Amortization)		PSD (Twelve-Month Amortization)		
	Present	Proposed	Present	Proposed	Adopted
Domestic Lifeline Service	42.35	55.62	42.35	50.47	50.47
Domestic Nonlifeline Service	56.46	74.16	56.46	67.29	67.29
Other Than Domestic Service	56.46	74.16	56.46	67.29	67.29

2. These increases are primarily a result of the under-collection in the GCAC Balancing Account which has occurred since the change in the GCABF in September, 1985.

These increases reflect and pass through to Edison's customers only the changes in cost of liquified petroleum gas which Edison incurs in providing gas service to its customers on Santa Catalina Island.

3. In accordance with Decision No. 82-04-010, Edison filed Advice No. 71-G on January 28, 1986, requesting an increase in the GCABF for a March 1, 1986, effective date. Following discussions with the Commission staff, Edison conditionally withdrew Advice No. 71-G, by letter of April 1, 1986. Therefore, the last revision of the GCABF was authorized by the Commission effective September 1, 1985.

4. This filing also requests a revision to Part F, Section 3, of the Preliminary Statement to include a Forecast Period rather than a Record Period. The revised provision provides for the use of forecast fuel prices rather than the current recorded fuel price. Sections 4, 5, and 7 are also revised to conform with the forecast Period provision. The use of forecast fuel prices should help to minimize the disparity which has have resulted under the current recorded fuel price method of calculating fuel charges.

5. This method should also attend to stabilize GCAC rates by mitigating the seasonal fluctuation in the GCABF which results from using a higher winter gas price to calculate future summer rates or conversely, using a lower summer gas price to calculate future winter rates. The use of a twelve-month average forecast price takes into consideration anticipated market conditions and fluctuations, whereas the recorded cost methodology sets rates based on the price of LPG at a specific date, which may not be representative of market conditions. The use of forecast fuel prices will enable Edison to base rates on a gas price reflective of the market at the time the rate will be in effect.

6. Part F of the Preliminary Statement is revised, as agreed to with the Commission staff, to allow the use of Forecast Fuel Prices, in accordance with the Commission staff's letter of , April 22, 1986.

7. In Decision No. 82-04-010 the Commission authorized Edison to use a six-month or twelve-month amortization period and stated at Page 21, that "Under generally prevailing conditions we would expect Edison to calculate the balancing rate component according to a six-month amortization period in order to keep the Balancing Account balance as close to zero as possible." The use of a six-month amortization period appears consistent with the Commission's intent in Decision No. 82-04-010 under the volatile fuel market conditions that existed at that time.

8. Edison has provided with this filing, work papers supporting the development of the GCABF conforming to the Commission's rate

design criteria set forth in Decision No. 82-04-010, increasing the lifeline average GCABF to 75 percent of the nonlifeline average CABF rates in steps, until the goal of 75 percent is reached. Edison attained this goal in its August 1, 1984, filing and has developed a revised GCABF in this filing which reflects the 75 percent lifeline to nonlifeline rate ratio.

9. The Staff of the Fuels Branch (Fuels) of the Public Staff Division (PSD) has reviewed this filing. PSD recommends that a twelve month amortization period be authorized instead of Edison's proposed six month period. The twelve month period will reduce the magnitude of the rate increase while still fully compensating the utility for its cost of fuel. PSD believes the six month amortization period was appropriate when Decision No. 82-04-010 was adopted and Liquid Petroleum Gas (LPG) costs were steadily rising. The market conditions have changed since that time to where costs have decreased. This amortization is necessary to make up a deficiency in the balancing account rather than to keep up with the rising costs of LPG. Therefore, in amortizing the deficiency over twelve months rather than six months PSD recommends the rates be increased by approximately 14.5% rather than the 23.7% proposed by Edison.

10. By memorandum dated October 7, 1986 PSD expressed concerns about the manner in which Edison procures fuel for its Catalina Island plant, the type of plant, and its overall operations. PSD's concerns are real and reasonable and should be fully investigated in Edison's pending general rate proceeding for Santa Catalina Island in Application No. 86-09-044 filed September 19, 1986.

11. The net increase in annualized revenues resulting from these changes in rates, based on the therms estimated to be sold during the twelve-month period beginning September 1, 1986, is as follows:

<u>Revenue Class</u>	<u>Therms</u>	<u>Net Annualized Increase Over Present Rates</u>	
		<u>\$M</u>	<u>%</u>
Residential			
Lifeline	208,139	16.9	17.2
Nonlifeline	177,303	19.2	13.8
Commercial	<u>287,034</u>	<u>31.1</u>	<u>13.8</u>
TOTAL	672,476	67.2	14.5

12. Edison contends that this filing will not cause the withdrawal of service, or conflict with other schedules or rules, and has requested that this filing become effective on September 1, 1986, which provides more than the regular 30-day statutory notice.

13. Public notification of this filing has been posted in Edison's Santa Catalina Island office and other conspicuous places in Edison's service territory on Santa Catalina Island. In addition, a notification was published in the Santa Catalina Islander weekly newspaper.

14. In compliance with Section III, Paragraph G, of General Order 96-A, copies of this filing were furnished to several interested parties on Santa Catalina Island. Edison states that there are no competing or adjacent utilities, nor has any utility requested notification. The Commission staff has received no protests in this matter.

FINDINGS:

1. The staff of the Evaluation and Compliance Division has considered Edison's request for an increase with respect to the recent changes that have occurred in crude (and refined) oil prices since this Advice Letter was filed.

2. Because of the uncertainty of future LPG prices, the staff recommends that a modified increase be allowed to become effective on November 1, 1986. The Staff also finds that if the price of LPG should remain at current values, a rate increase is still needed in order to prevent a potentially serious undercollection in the balancing account.

3. The revision to Part F of the Preliminary Statement, to allow the use of a twelve-month period of Forecast Fuel Prices, to determine the GCABF, is acceptable.

4. The Staff recommendation of a twelve-month amortization period for the GCABF should be adopted.

5. The Energy Branch further recommends that Edison's Gas Cost Balancing Account for Catalina Island be audited, before the next GCABF, in order to determine if Edison's accounting methods are in agreement with established practices.

6. We find that the rate revision recommended by Staff is just and reasonable and in conformance with the provisions of Decision No. 82-04-010 and the utility's filed tariff schedules.

THEREFORE:

1. Southern California Edison Company's Advice Letter No. 72-G is rejected without prejudice. This Advice Letter number and accompanying tariff sheets shall not be reused.

2. Authority is granted to Southern California Edison Company, pursuant to the provisions of Decision No. 82-04-010 to file a new advice letter to increase the presently effective GCABF rate levels to 50.47 and 67.29 cents per therm, for lifeline and non-lifeline services, respectively.

3. The effective date of this rate revision shall be November 1, 1986.

4. Southern California Edison Company is authorized to revise Part F of the Preliminary Statement to allow the use of a twelve-month Forecast period to determine the GCABF and to amortize the GCAC balance over a twelve-month period with each authorized revision.

5. Southern California Edison Company shall be required to submit the books and records of the Santa Catalina Island Gas Cost Adjustment Billing Factor (GCABF) to the Commission for an audit by the staff prior to the next scheduled GCABF rate revision.

6. This GCABF rate revision shall be subject to subsequent modification or cancellation as may be determined by the Commission.

7. The new Advice Letter and tariff sheets shall be marked to show that they were authorized for filing by Commission Resolution G-2700. This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular conference on October 16, 1986. The following Commissioners approved it:

  
Executive Director

DONALD VIAL  
President  
VICTOR CALVO  
PRISCILLA C. GREW  
FREDERICK R. DUDA  
STANLEY W. HULETT  
Commissioners